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RECEIVED November 4, 2005
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T.R.A. DOCKET ROOM

Ms. Sharla Dillon
Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

**RE: DN 05-00301: Broadwing Communications Services, LLC
Petition for Approval of Financing Transaction**

Dear Ms. Dillon:

Enclosed for filing are an original and thirteen (13) copies of the response to staff's data requests submitted on behalf of Broadwing Communications Services, LLC in the above-referenced proceeding

Please do not hesitate to contact me if you have any questions at (407) 740-3004 or rnorton@tminc.com.

Please acknowledge receipt of this filing by returning, file-stamped, the extra copy of this cover letter in the self-addressed, stamped envelope enclosed for this purpose.

Sincerely,

Robin Norton
Consultant to Broadwing

Enclosures

cc: Russell Frisby – Kirkpatrick & Lockhart Nicholson Graham LLP
David M. Roberts - Broadwing Communications, LLC
file: Broadwing - TN
tms: TNx0501a

DN 05-00301

Staff Data Requests

Response of Broadwing Communications, LLC

Broadwing Communications, LLC ("Broadwing") is an authorized provider of long distance services nationwide. The company also is authorized to provide local exchange service in twenty states. Broadwing provides retail and wholesale long distance service only in Tennessee.

By order issued July 3, 2003 in DN 03-00240, the TRA granted approval of a transfer of assets and customers from Broadwing Communications Services Inc. and Broadwing Telecommunications Inc. to a new company, CIII Communications Operations, LLC. The assets acquired included Broadwing's CCNs to provide intrastate interexchange services as well as approximately 3000 customer accounts.

By order issued February 19, 2004 in DN 03-00559, the TRA granted approval of the Company's request to change its name to Broadwing Communications, LLC

1. Has Broadwing Communications, LLC (Broadwing) filed similar petitions in other states and what is the status of any such petition?

Response: Regulatory approval for the financing anticipated in this petition has been requested in Delaware, Georgia, Hawaii, Indiana, New Jersey, New York, Pennsylvania, and West Virginia at the same time as in Tennessee. In addition, pre-transaction notifications have been submitted, as required, in Kansas and Washington, D C. Approval has already been granted in Indiana and Delaware.

2. Has Broadwing applied for approval for financing from any Federal agency? Have they notified any Federal Agency? If so, what is the status of any such application or notification?

Response: The Securities and Exchange Commission was notified as required.

3. How many customers does Broadwing currently have in Tennessee?

Response: Broadwing currently has 756 customers in Tennessee.

4. Confirm that Broadwing will continue to operate and/or provide service under its current name and CCN issued by the Authority, and its business licenses as filed with the Tennessee Secretary of State's Office.

Response: Broadwing will continue to operate and provide services under its current name and authority issued by the TRA, as well as its Certificate of Authority, issued by the Secretary of State.

Staff Data Requests

Response of Broadwing Communications, LLC

(continued)

5. Provide copies of all current CCNs issued with the Authority, and provide copies of all current business licenses of Broadwing filed with the Tennessee Secretary of State's Office.

Response: Broadwing's current CCNs and State Certificate of Authority are attached as Exhibit 1.

6. Provide an electronic proposed order designed to grant the relief you seek in the Petition filed with the Authority on October 27, 2005.

Response: A proposed order is attached as Exhibit 2, and has been provided electronically to staff.

7. Per the Description of Financing Transaction heading of the Petition filed with the Authority on October 27, 2005, the Petitioner proposes to borrow up to \$75 million through "a revolving credit facility" with PNC Bank, National Association (and certain other lenders) Provide documentation showing the specific credit facilities that will be used for the proposed financing.

Response: The specific terms of the credit facility allow Broadwing to borrow money from time to time, up to \$75 million. The money borrowed will be subject to repayment, with interest at a rate equal to either a) LIBOR plus 3.75% or b) an alternate base rate plus 2.5% per annum, at Broadwing's option. The credit facility matures on October 14, 2008, at which time all money borrowed must have been repaid.

8. Under the Description of Financing Transaction heading of the Petition, Petitioner certifies the debt of the proposed financing transaction would be secured by certain of Petitioner's assets and secured and guaranteed by Petitioner's parent company, Broadwing Corporation (and its subsidiaries). Provide documentation of the specified assets that would be used as security for the proposed financing transaction

Response: The loan is secured by a pledge of the accounts receivable of Broadwing Corporation and its U.S. subsidiaries.

9. Provide the most recent independently audited balance sheet and operating statement of revenues for Broadwing

Response: The audited financial statements of Broadwing Corporation are attached as Exhibit 3.

Broadwing Communications, LLC

DN 05-00301

Response to Staff Data Request

Exhibit 1

TENNESSEE REGULATORY AUTHORITY ORDERS

AND

STATE CERTIFICATE OF AUTHORITY

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

IN RE:

July 3, 2003

NOTIFICATION ABOUT THE TRANSFER OF ASSETS
AND CUSTOMERS OF BROADWING
COMMUNICATIONS SERVICES INC. AND BROADWING
TELECOMMUNICATIONS INC. TO C III
COMMUNICATIONS OPERATIONS, LLC

DOCKET NO.
03-00240

**ORDER APPROVING TRANSFER OF AUTHORITY
AND CUSTOMER NOTIFICATION LETTER**

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on May 12, 2003, for consideration of the *Notification about the Transfer of Assets and Customers* (the "*Notification*") submitted by Broadwing Communications Services Inc. ("Broadwing-CSI") and Broadwing Telecommunications Inc. ("Broadwing-TI" and jointly "Broadwing") and C III Communications Operations, LLC ("C III Ops" and collectively the "Parties").

Statutory/Regulatory Framework

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain TRA approval to transfer its authority to provide utility services (also known as a "certificate of public convenience and necessity" or "CCN"). Tenn. Code Ann. § 65-4-113(a) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) includes the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

When a customer base is transferred from one telecommunications service provider to another, TRA Rule 1220-4-2-.56(2)(d) requires the following procedure:

(d) In the case of a transfer of a customer base between two or more telecommunications service providers, the Authority, upon petition by the acquiring telecommunications service provider, may deem that sufficient notice has been given and approval received from the affected customers when the following criteria are met:

. . .

2. A notification letter, pre-approved by the Authority, shall be mailed by U.S. First Class Postage by the telecommunications service provider being acquired to its customers describing the customer transfer and explaining that the customers' local or long distance service will be transferred to the acquiring telecommunications service provider by a certain date unless the customer selects another telecommunications service provider. This customer notification shall be mailed to the customers no less than thirty (30) days prior to the actual customer transfer. The notification letter required by the FCC may be used for the notification purposes of this part. The Authority may waive the thirty (30) day notice requirement of this part for good cause shown.

3. The acquiring telecommunications service provider agrees to pay any fees charged to the customer associated with changing service to the acquiring telecommunications service provider. The notification letter required in 1220-4-2-

.56(2)(d)(2) shall inform the customer of this provision.

4. The acquiring telecommunications service provider agrees to provide to the affected customers a thirty (30) day written notice of any rate increase that may affect their service up to ninety (90) days from the date of the transfer of customers. The notification letter mentioned in 1220-4- 2-.56(2)(d)(2) shall inform the customer of this provision.

The Notification

In the *Notification*, filed with the TRA on March 27, 2003, the Parties outline the plans for C III Ops' acquisition of Broadwing's broadband business, including intrastate and interstate long distance and private line services, pursuant to a purchase agreement executed on February 22, 2003. The assets to be acquired include Broadwing's CCNs to provide intrastate interexchange telecommunications services in Tennessee, as well as approximately 3019 of its customer accounts.¹ Pursuant to this proposed transaction, the Parties are seeking the TRA's approval of the transfer of CCNs and the customer notice letter concerning the transfer of customer base from Broadwing to C III Ops.

C III Ops is a wholly-owned subsidiary of C III Communications, LLC ("C III"). The majority and controlling owner of C III is Corvis Corporation ("Corvis"), a publicly traded corporation specializing in optical network solutions.² Upon completion of the transaction, it is anticipated that the technical personnel and core management team of Broadwing will be transferred to C III Ops, which will then adopt the name Broadwing, LLC. Thereafter, Corvis is prepared to invest up to \$50 million in the new venture,

¹ On March 25, 2003, C III Ops filed an application for a CCN with the TRA to be considered in conjunction with the *Notification* at issue in this docket. On April 17, 2003, C III Ops withdrew its CCN application and expressed an intention to acquire Broadwing-CSI's CCN granted by the TRA on October 13, 1995 in Docket No. 95-03221. C III Ops also expressed an intent to acquire the CCN of Broadwing-TI, granted by the TRA on August 2, 1995, in Docket No. 95-02659, if necessary to provide both resold and facilities-based intrastate interexchange telecommunications services in Tennessee.

² None of these companies currently possess any authority to provide telecommunications services in the State of Tennessee.

thereby enhancing the financial capabilities of the company.

According to the *Notification*, the transfer will be virtually seamless to Broadwing customers. Following completion of the transfer, Broadwing customers will continue to receive the same service, without interruption, under the same terms and conditions. Except for a slight change in the corporate name, customer invoices will be identical as will be company contact names and addresses. Because C III Ops is also acquiring Broadwing's Carrier Identification Codes, there will be no need to change any customer's Presubscribed Interexchange Carrier.

A customer notification letter will be sent to the customers of Broadwing to advise them of this transaction. TRA Rule 1220-4-2-.56(2)(d) provides that, in case of a transfer of customer base from one telecommunications service provider to another, the TRA may deem that the provider whose customer base is being acquired has met the notification requirements of the TRA's anti-slamming rules by sending a letter to its affected customers notifying them of the change in provider. This rule requires TRA approval of the letter and, by implication, of the transfer of customer base. Broadwing's proposed customer notice letter will be sent jointly by both companies with the names of Broadwing Telecommunications, Inc. and C III Communications Operations, LLC included on the letterhead, and the transfer will occur following compliance with the thirty-day notice requirement.

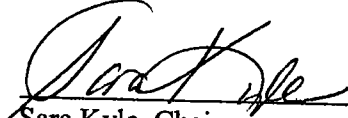
The May 12, 2003 Authority Conference

At the May 12, 2003 Authority Conference, the Directors voted unanimously to approve the transfer of CCNs and the customer notification letter with the following qualification: the letter should be modified in compliance with TRA Rule 1220-4-2-

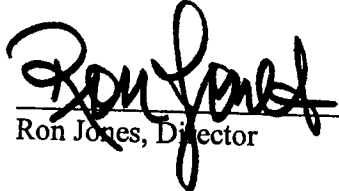
.56(2)(d)(4) to include a provision informing customers that a thirty-day notice of any rate increase occurring within 90 days following the transfer of the customer base will be provided. The Parties agreed to this modification.

IT IS THEREFORE ORDERED THAT:

1. The transfer of customer base from Broadwing to C III Ops is approved.
2. The customer notification letter with the specified modification is approved.
3. The transfer of Broadwing's CCNs to C III Ops is approved.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Ron Jones, Director

TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 19, 2004

IN RE:

**PETITION FOR CORPORATE NAME
CHANGE FROM C III COMMUNICATIONS
OPERATIONS, LLC TO BROADWING
COMMUNICATIONS, LLC**

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)
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**DOCKET NO.
03-00559**

**ORDER GRANTING APPROVAL OF THE PETITION OF
C III COMMUNICATIONS OPERATIONS, LLC FOR NAME CHANGE**

This matter came before Chairman Deborah Taylor Tate, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 26, 2004, upon the Petition of C III Communications Operations, LLC to change its name to Broadwing Communications, LLC

On March 27, 2003, Broadwing Communications, Inc notified the Authority of the transfer of assets and customers to C III Communications Operations, LLC ("C III").¹ During a regularly scheduled Authority Conference held on May 12, 2003, the voting panel approved the transfer of authority to C III and the customer notification letter. On October 19, 2003, C III filed its petition for a corporate name change to Broadwing Communications, LLC

¹ See *In re Notification about the Transfer of Assets and Customers of Broadwing Communications Services, Inc and Broadwing Telecommunications Inc to C III Communications Operations, LLC*, Docket No 03-00240, Order Approving Transfer of Authority and Customer Notification Letter (July 3, 2003)

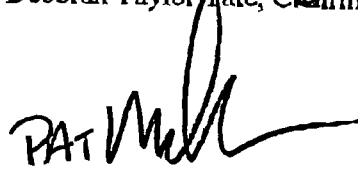
Based upon careful consideration of the record of this matter, the panel found that the Company has met all the requirements for changing its name and voted unanimously to approve the name change

IT IS THEREFORE ORDERED THAT:

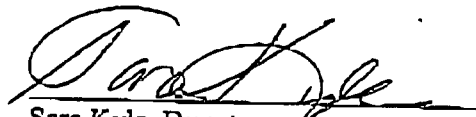
The Petition for Corporate Name Change From C III Communications Operations, LLC to Broadwing Communications, LLC is approved



Deborah Taylor Tate, Chairman



Pat Miller, Director



Sara Kyle, Director

State of Tennessee



Department of State
Corporate Filings
312 Fifth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

APPLICATION FOR AMENDED
CERTIFICATE OF AUTHORITY
(LIMITED LIABILITY COMPANY)

Office Use Only
FILED

RECEIVED
DEPT. OF REVENUE
JUN 25 PM 1:43

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of § 48-246-303 of the Tennessee Limited Liability Company Act, the undersigned hereby applies for an amended certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the limited liability company is C.T. Communications Operations, LLC
Broadwing Communications, LLC (NEW NAME)

If different, the name under which the certificate of authority is to be obtained is:

2. The state or country under whose law it is organized is: Delaware

3. The date of its formation is: 02/20/2003 (must be month, day and year)

4. The complete street address (including zip code) of its principal office is:

1122 Capital of Texas Highway South, Austin, TX 78746
Street City State/Country Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee is:

530 Gay Street, Knoxville, Tennessee, Knox County, 37902
Street City/State County Zip Code

The name of its registered agent at that office is: CT CORPORATION SYSTEM

6. Please insert the number of members at the date of filing: 1

NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of Limited Liability Company records in the state or country under whose law it is formed. The certificate shall not bear a date of more than two (2) month prior to the date the application is successfully filed in Tennessee.

6/24/03
Signature Date
Manager
Signer's Capacity

Broadwing Communications, LLC
Name of Limited Liability Company
Kim D. Larsen
Signature
Kim D. Larsen
Name (typed or printed)

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "BROADWING COMMUNICATIONS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF JUNE, A.D. 2003. AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE NOT BEEN ASSESSED TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2488416

3627662 8300

030411693

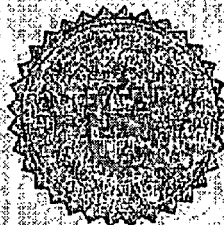
DATE: 06-23-03

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "C III COMMUNICATIONS OPERATIONS, LLC", CHANGING ITS NAME FROM "C III COMMUNICATIONS OPERATIONS, LLC" TO "BROADWING COMMUNICATIONS, LLC", FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF JUNE, A.D. 2003, AT 5:28 O'CLOCK P.M.



3627662 B100

030411693

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTENTICATION: 2438394

DATE: 06-23-03

CERTIFICATE OF AMENDMENT

TO

CERTIFICATE OF FORMATION

OF

C III COMMUNICATIONS OPERATIONS, LLC

1. The name of the limited liability company is C III Communications Operations, LLC.

2. The Certificate of Formation of the Company is hereby amended by deleting in its entirety Article 1 of the Certificate of Formation and substituting the following therefor:

"1. The name of the limited liability company (the "Company") is Boardwing Communications, LLC."

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to Certificate of Formation of C III Communications Operations, LLC this 15th day of June, 2003.

C III COMMUNICATIONS OPERATIONS, LLC

By 

Howard L. Rosenberg, Authorized Person

Broadwing Communications, LLC

DN 05-00301

Response to Staff Data Request

Exhibit 2

PROPOSED ORDER

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF)	DOCKET NO. 05-00301
BROADWING COMMUNICATIONS, LLC)	
FOR APPROVAL OF PETITION)	
OF NEW FINANCING ARRANGEMENT)	

ORDER APPROVING FINANCING ARRANGEMENT

This matter came before Director _____, Director _____ and Director _____ of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on November 21, 2005 for consideration of the Petition of Broadwing Communications, LLC ("Broadwing") for an order, pursuant to Tenn. Code Ann. § 65-4-109, authorizing a proposed debt issuance which involves the pledge of Tennessee accounts receivable in support of indebtedness.

Statutory Framework

Tenn. Code Ann § 65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Background and Petition

Broadwing is an indirect subsidiary of Broadwing Corporation. Broadwing has been certified to provide interexchange telecommunications services in Tennessee, and currently provides retail and wholesale interexchange services to approximately 756 customers in Tennessee. In its petition, Broadwing requested approval to participate in up to \$75 million in debt financing secured by certain of Broadwing's assets, and secured and guaranteed by Broadwing's parent company, Broadwing Corporation (and its subsidiaries). Broadwing submits that the proposed financing transaction will provide it with access to greater financial resources to expand and enhance its operations and services in Tennessee

November 21, 2005 Authority Conference

At the November 21, 2005 Authority Conference, the Directors voted unanimously to approve the Petition upon a finding that the proposed transaction will be made for a proper purpose and in accordance with Tennessee law.

IT IS THEREFORE ORDERED THAT:

1. Broadwing Communications, LLC is authorized to participate in a transaction resulting in up to \$75 million in debt financing, in the manner set forth in the Petition

2. The authorization and approval given hereby shall not be used by a any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Broadwing Corporation securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.

Broadwing Communications, LLC

DN 05-00301

Response to Staff Data Request

Exhibit 3

**AUDITED FINANCIAL STATEMENTS
OF BROADWING CORPORATION**

BROADWING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2003	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 256,490	\$ 149,915
Short-term investments	27,135	74,764
Trade accounts receivable, net of allowances of \$19,993 and \$50,136	57,385	94,731
Inventories, net	772	1,270
Other current assets	17,817	22,757
Total current assets	359,599	343,437
Restricted cash, non-current	7,033	13,911
Long-term investments	13,197	49,676
Property and equipment, net	116,588	286,038
Goodwill	—	48,696
Intangible assets, net	24,883	30,152
Other non-current assets, net	7,315	9,080
Total assets	\$ 528,615	\$ 780,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable, net of discounts, and capital lease obligations, current portion	\$ 610	\$ 117,324
Accounts payable	21,791	12,452
Accrued expenses and other liabilities	31,462	53,939
Accrued communication service costs	30,560	41,089
Deferred revenue, current portion	13,087	11,752
Accrued restructuring and other charges	8,488	8,620
Total current liabilities	105,998	245,176
Notes payable, net of discounts, and capital lease obligations, net of current portion	2,500	52,218
Deferred revenue, net of current portion	17,684	13,608
Other long-term liabilities	4,764	14,949
Total liabilities	130,946	325,951
Commitments and contingencies (Note 19)		
Stockholders' equity		
Common stock—\$0.01 par value, 190,000,000 shares authorized, 49,327,623 shares issued and 48,099,443 shares outstanding as of December 31, 2003, 68,424,060 shares issued and 67,195,880 shares outstanding as of December 31, 2004	493	679
Treasury Stock (1,228,180 shares at December 31, 2003 and December 31, 2004, at cost)	(9,512)	(9,512)
Additional paid-in capital	2,927,837	3,137,928
Accumulated other comprehensive income (loss)	9	(717)
Unrealized investment gains (losses)	—	—
Accumulated deficit	(2,521,158)	(2,673,339)
Total stockholders' equity	397,669	455,039
Total liabilities and stockholders' equity	\$ 528,615	\$ 780,990

See accompanying notes to consolidated financial statements

BROADWING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended		
	December 28, 2002	December 31, 2003	December 31, 2004
Revenue			
Communication services	\$ —	\$ 310,175	\$ 658,376
Communications equipment	20,208	4,139	13,904
Total revenue	20,208	314,314	672,280
Operating expenses			
Cost of revenue			
Communications services (excluding depreciation and amortization)	—	231,983	452,822
Communications equipment	84,884	33,036	2,607
Total cost of revenue	84,884	265,019	455,429
Research and development, excluding equity-based expense	97,372	46,802	14,995
Sales, general and administrative, excluding equity-based expense	71,308	151,735	255,782
Depreciation	35,301	34,529	56,928
Amortization	18,491	6,913	4,632
Equity-based expense			
Research and development	24,871	12,659	3,776
Sales, general and administrative	40,529	7,938	4,858
Restructuring and other charges	124,825	59,381	3,946
Purchased research and development	34,580	—	—
Total operating expenses	532,161	584,976	800,346
Operating loss	(511,953)	(270,662)	(128,066)
Other income (expense), net	5,309	10,308	7,160
Interest expense, net of capitalized amounts	(1,116)	(504)	(31,275)
Net loss before minority interest	(507,760)	(260,858)	(152,181)
Minority interest	—	387	—
Net loss	(507,760)	(260,471)	(152,181)
Basic and diluted net loss per common share	\$ (12.95)	\$ (6.05)	\$ (2.86)
Basic and diluted weighted average common shares	39,201	43,060	53,217

See accompanying notes to consolidated financial statements

BROADWING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional	Stockholder	Treasury	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in-Capital	Note Receivable	Stock	Other Comprehensive Income (Loss)	Deficit	Stockholders' Equity
Balance at December 29, 2001	36,268,791	\$ 363	\$2,652,213	\$ —	\$ —	\$ (10,796)	\$ (1,752,927)	\$ 888,853
Exercise of stock options and employee stock purchase plan	789,670	8	1,214	—	—	—	—	1,222
Equity-based expense	72,002	1	67,777	—	—	—	—	67,778
Acquisition of Dorsal	4,180,897	42	91,775	(32)	—	—	—	91,785
Foreign exchange adjustment	—	—	—	—	—	2,581	—	2,581
Unrealized gains on investments	—	—	—	—	—	24	—	24
Treasury stock purchase, 591,430 shares at cost	—	—	—	—	(4,405)	—	—	(4,405)
Net loss	—	—	—	—	—	—	(507,760)	(507,760)
Balance at December 28, 2002	41,311,360	414	2,812,979	(32)	(4,405)	(8,191)	(2,260,687)	540,078
Exercise of stock options, warrants, and employee stock purchase plan	1,013,435	10	4,612	—	—	—	—	4,622
Private Placement	6,727,828	66	73,728	—	—	—	—	73,794
Acquisition of minority interest in Broadwing Communications, LLC	275,000	3	11,914	—	—	—	—	11,917
Collection of shareholder note	—	—	—	32	—	—	—	32
Equity-based expense	—	—	24,604	—	—	—	—	24,604
Foreign exchange adjustment	—	—	—	—	—	8,215	—	8,215
Unrealized loss on investments	—	—	—	—	—	(15)	—	(15)
Treasury stock purchases, 636,750 shares at cost	—	—	—	—	(5,107)	—	—	(5,107)
Net loss	—	—	—	—	—	—	(260,471)	(260,471)
Balance at December 31, 2003	49,327,623	493	2,927,837	—	(9,512)	9	(2,521,158)	397,669
Exercise of stock options, warrants, and employee stock purchase plan	804,680	8	6,031	—	—	—	—	6,039
Warrants issued with convertible notes	—	—	33,222	—	—	—	—	33,222
Repayment of convertible notes and accrued interest with common stock	9,649,928	92	67,595	—	—	—	—	67,687
Acquisition of Focal	8,641,829	86	93,982	—	—	—	—	94,068
Unrealized loss on investments	—	—	—	—	—	(726)	—	(726)
Equity-based expense	—	—	9,261	—	—	—	—	9,261
Net loss	—	—	—	—	—	—	(152,181)	(152,181)
Balance at December 31, 2004	68,424,060	\$ 679	\$3,137,928	\$ —	\$ (9,512)	\$ (717)	\$ (2,673,339)	\$ 455,039

See accompanying notes to consolidated financial statements

BROADWING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	December 28, 2002	December 31, 2003	December 31, 2004
Cash flows from operating activities			
Net loss	\$ (507,760)	\$ (260,471)	\$ (152,181)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	70,659	41,442	60,291
Equity-based expense	65,400	20,597	8,634
Purchased research and development	34,580	—	—
Provision for bad debt, sales allowances, and billing adjustments	—	15,412	22,848
Deferred financing, original issue discount amortization, and accretion of interest	—	—	21,477
Amortization of deferred revenue and other	—	—	(3,016)
Non-cash restructuring, goodwill and asset impairments, inventory write-downs and other charges	188,548	71,455	—
Minority interest	—	(387)	—
Changes in operating assets and liabilities, excluding acquired amounts			
Accounts receivable	31,895	8,467	(30,872)
Inventories	(3,569)	(21,921)	(228)
Other current assets	5,354	8,789	(245)
Accounts payable	(361)	(40,182)	(32,376)
Other accrued expenses	(25,362)	(26,595)	(7,157)
Net cash used in operating activities	(136,919)	(183,394)	(112,825)
Cash flows from investing activities			
Broadwing Communication Services, Inc. acquisition	—	(81,097)	10,000
Purchase of minority interest in Broadwing Communications, LLC	—	(1,789)	—
Purchase of property and equipment	(18,740)	(12,243)	(74,724)
Proceeds from the sale of property and equipment	—	—	1,720
Cash acquired in business combinations, net of acquisition costs	6,591	—	10,510
Purchase of investments	(24,696)	(33,572)	(120,244)
Sale of investments	—	39,843	36,378
Decrease in deposits and other long-term assets	88	2,850	—
Net cash used in investing activities	(36,757)	(86,008)	(136,360)
Cash flows from financing activities			
Increase in restricted cash	—	(4,704)	(4,269)
Proceeds from private placement of common stock	—	73,794	—
Proceeds from stock options and warrants exercised	1,222	4,622	6,016
Proceeds from repayment of shareholder note	—	32	—
Proceeds from the issuance of convertible notes and associated warrants	—	—	217,750
Repayment of notes payable and capital lease obligations	(6,785)	(1,055)	(76,887)
Purchase of treasury stock	(4,405)	(5,107)	—
Net cash provided by (used in) financing activities	(9,968)	67,582	142,610
Cash effect of foreign exchange adjustment	2,605	477	—
Net decrease in cash and cash equivalents	(181,039)	(201,343)	(106,575)
Cash and cash equivalents—beginning of period	638,872	457,833	256,490
Cash and cash equivalents—end of period	\$ 457,833	\$ 256,490	\$ 149,915
Supplemental disclosure of cash flow information			
Interest paid	\$ 889	\$ 410	\$ 3,241
Supplemental disclosure of noncash activities			
Repayment of convertible notes with common stock	\$ —	\$ —	\$ 67,687
Assets acquired through capital lease	—	—	679
Purchase business combination consideration paid with common stock	91,785	—	94,068
Inventory installed as fixed assets	\$ —	\$ 13,685	\$ 1,000

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